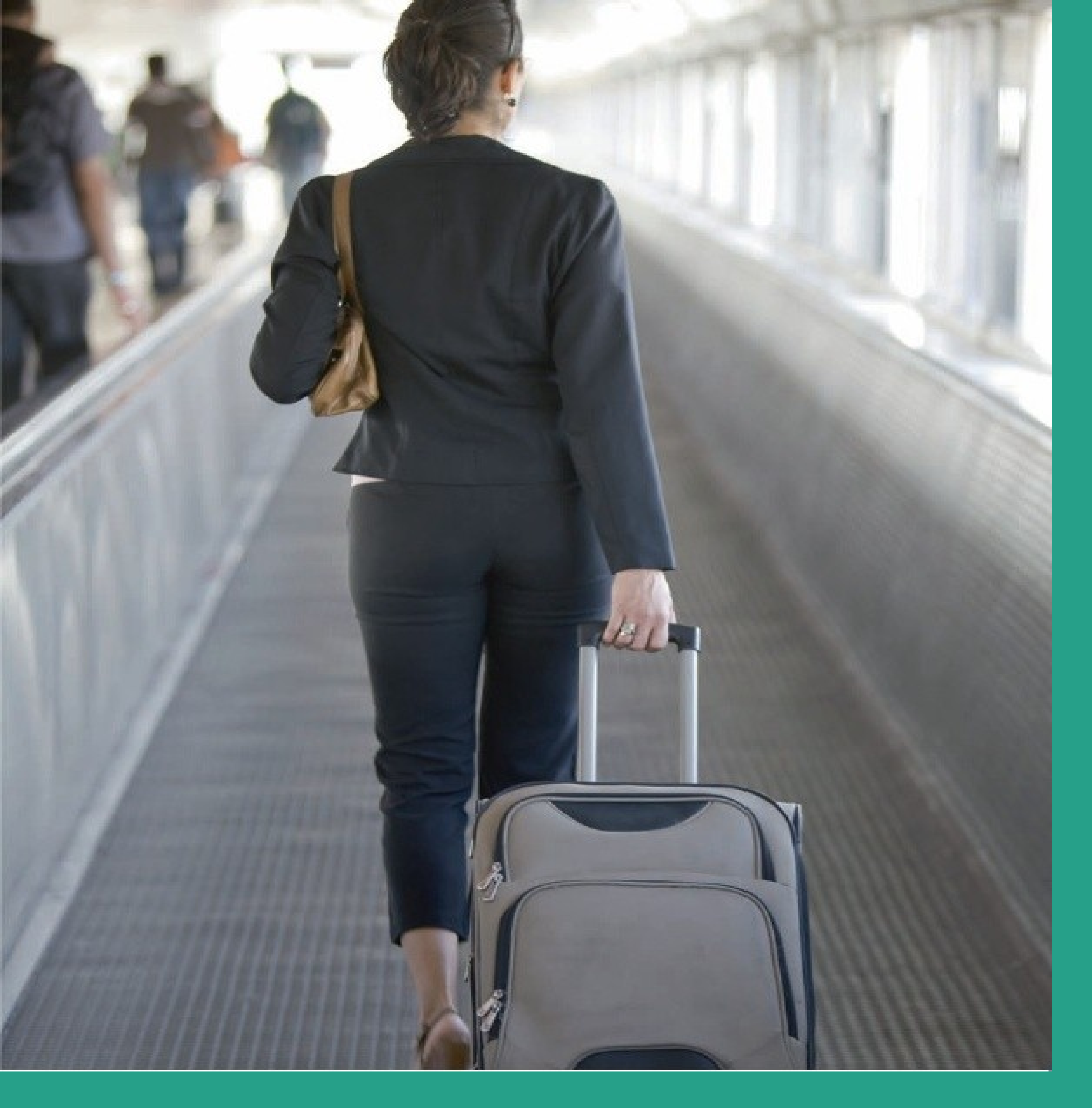
International Business Environments and Operations, 13/e

Part 6

Managing International Operations



Chapter 17

Global Manufacturing and Supply-Chain Management

Chapter Objectives

- To describe the different dimensions of a global manufacturing strategy
- To examine the elements of global supply-chain management
- To show how quality affects the global supply chain
- To illustrate how supplier networks function
- To explain how inventory management is a key dimension of the global supply chain
- To present different alternatives for transporting products along the supply chain from suppliers to customers

What is Supply Chain Management?

- Supply chain—the coordination of materials, information, and funds from the initial raw-material supplier to the ultimate customer.
- Logistics—part of the supply-chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customers' requirements.

Global Manufacturing Strategies

Four Key Factors:

- Compatibility
- Configuration
- Coordination
- Control

Compatibility

Company managers must consider the following strategies:

- Efficiency/Cost
- Dependability
- Quality & Innovation
- Flexibility

Manufacturing Configuration

- Centralized manufacturing in one country
- Manufacturing facilities in specific regions to service those regions
- Multidomestic facilities in each country

Coordination Control

Control systems, such as organizational structure and performance measurement systems, ensure that managers implement company strategies.

Information Technology and Global Supply Chain Management

- Electronic Data Interchange
- Enterprise Resource Planning/Material Requirements Planning
- Radio Frequency ID (RFID)
- E-Commerce

Quality

- Zero Defects versus Acceptable Quality Level
- The Deming Approach to Quality Management
- Total Quality Management
- Six Sigma

Quality Standards

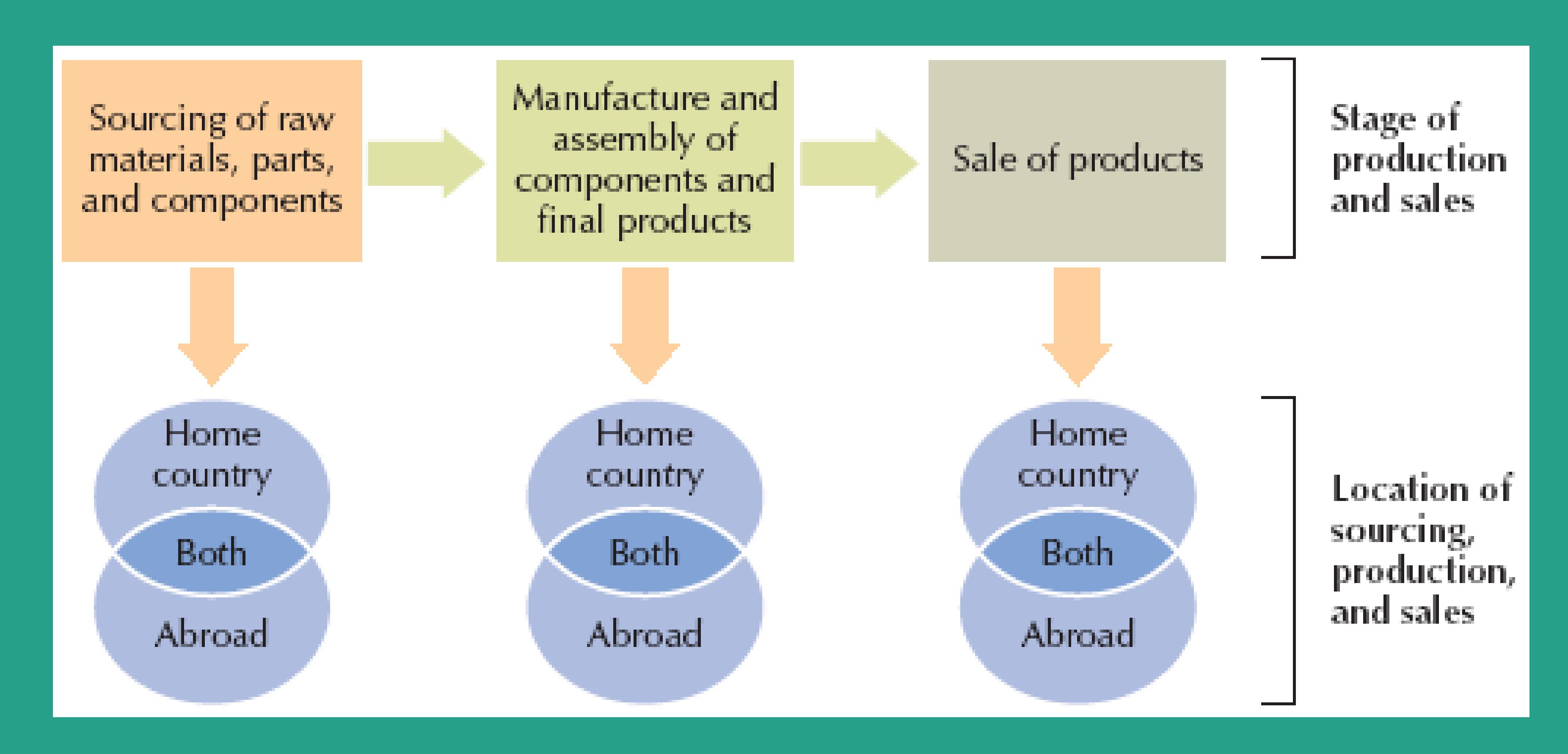
Levels of quality standards:

- General level—ISO 9000, Malcolm Baldrige National Quality Award
- Industry-specific level
- Company level

Supplier Networks

- Global Sourcing
- Major Sourcing Configuration
- The Make or Buy Decision
- Supplier Relations
- The Purchasing Function

Global Sourcing



Major Sourcing Configuration

- Vertical integration
- Outsourcing through industrial clusters
- Other outsourcing

Make or Buy Decision

- Make or buy—outsource or supply parts from internal production
- If MNEs outsource parts instead of sourcing them from internal production, they need to determine the degree of involvement with suppliers.

Supplier Relations

- Supplier relationships are very important but sometimes complicated, especially for MNEs trying to manage supplier relationships around the world
  - Case: Toyota
  - Case: JCPenney

The Purchasing Function

Global progression in the purchasing function:

- Domestic purchasing only
- Foreign buying based on need
- Foreign buying as part of a procurement strategy
- Integration of global procurement strategy

Major Sourcing Strategies

- Assign domestic buyers for foreign purchasing.
- Use foreign subsidiaries or business agents.
- Establish international purchasing offices.
- Assign the responsibility for global sourcing to a specific business unit or units.
- Integrate and coordinate worldwide sourcing.

Inventory Management

- Lean Manufacturing and Just-In-Time Systems
  - Risks in Foreign Systems
  - The Kanban System
- Foreign Trade Zones
- Transportation Networks

Future: Uncertainty and the Global Supply Chain

- Globalization encourages companies to outsource to foreign suppliers to reduce costs.
- Political events increase the risk of supply chain disruption.